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Center for  
Fiscal Policy

**Lauren Necochea, Director**

**November 3, 2015**



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We believe in making the right  
investments today with our public dollars  
so that our state will thrive tomorrow.



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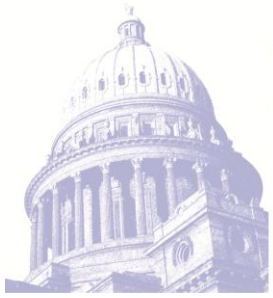
We believe policy decisions should be made out in the open, in a way that is understandable to ordinary people.



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....And that policymakers can make better decisions when they have more information.



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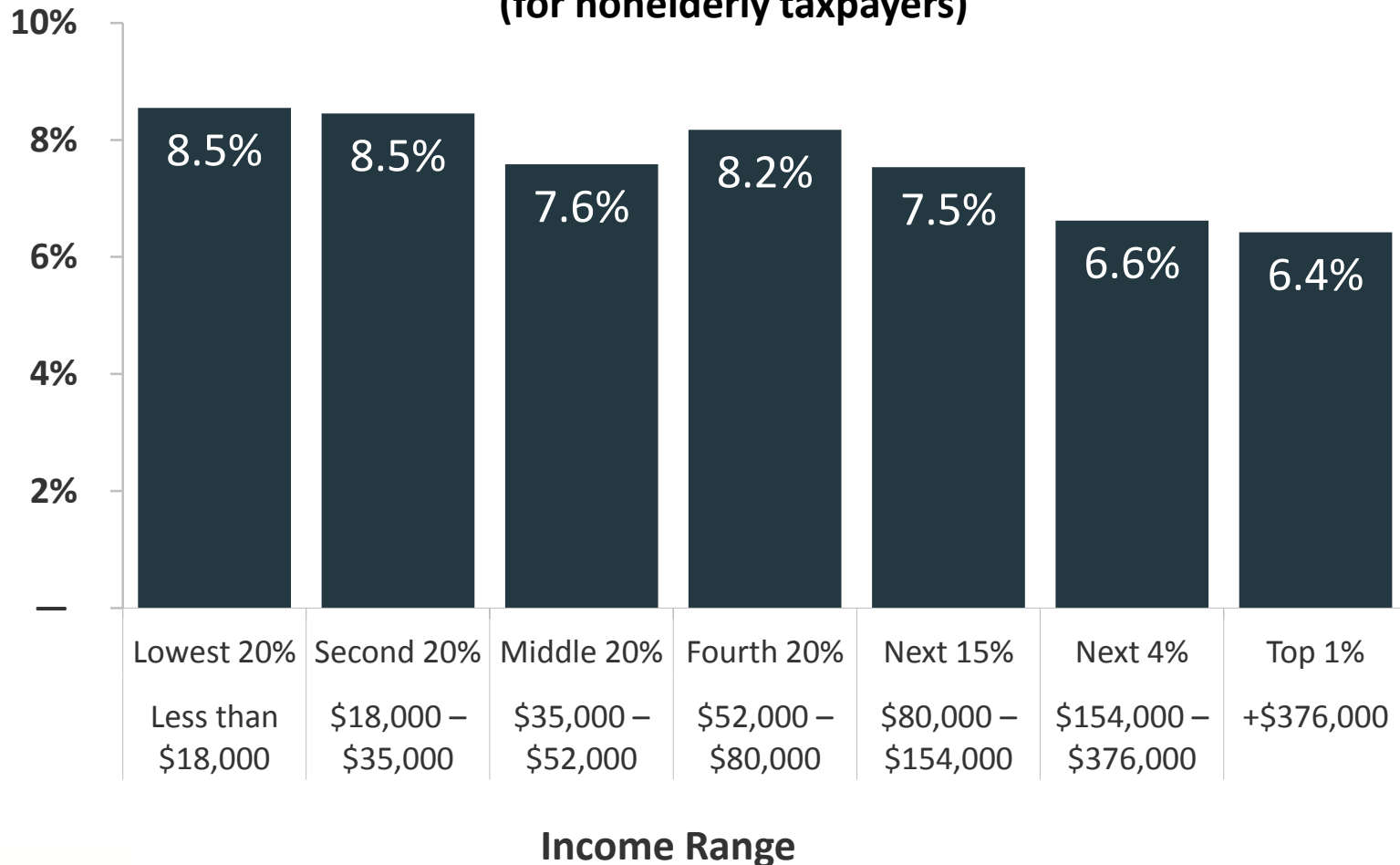
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# Overview

- Strengths of our current tax system, which is relatively fair for Idahoans
- Investments that can grow and strengthen the middle class
- Recommendations to ensure wise investments with public dollars

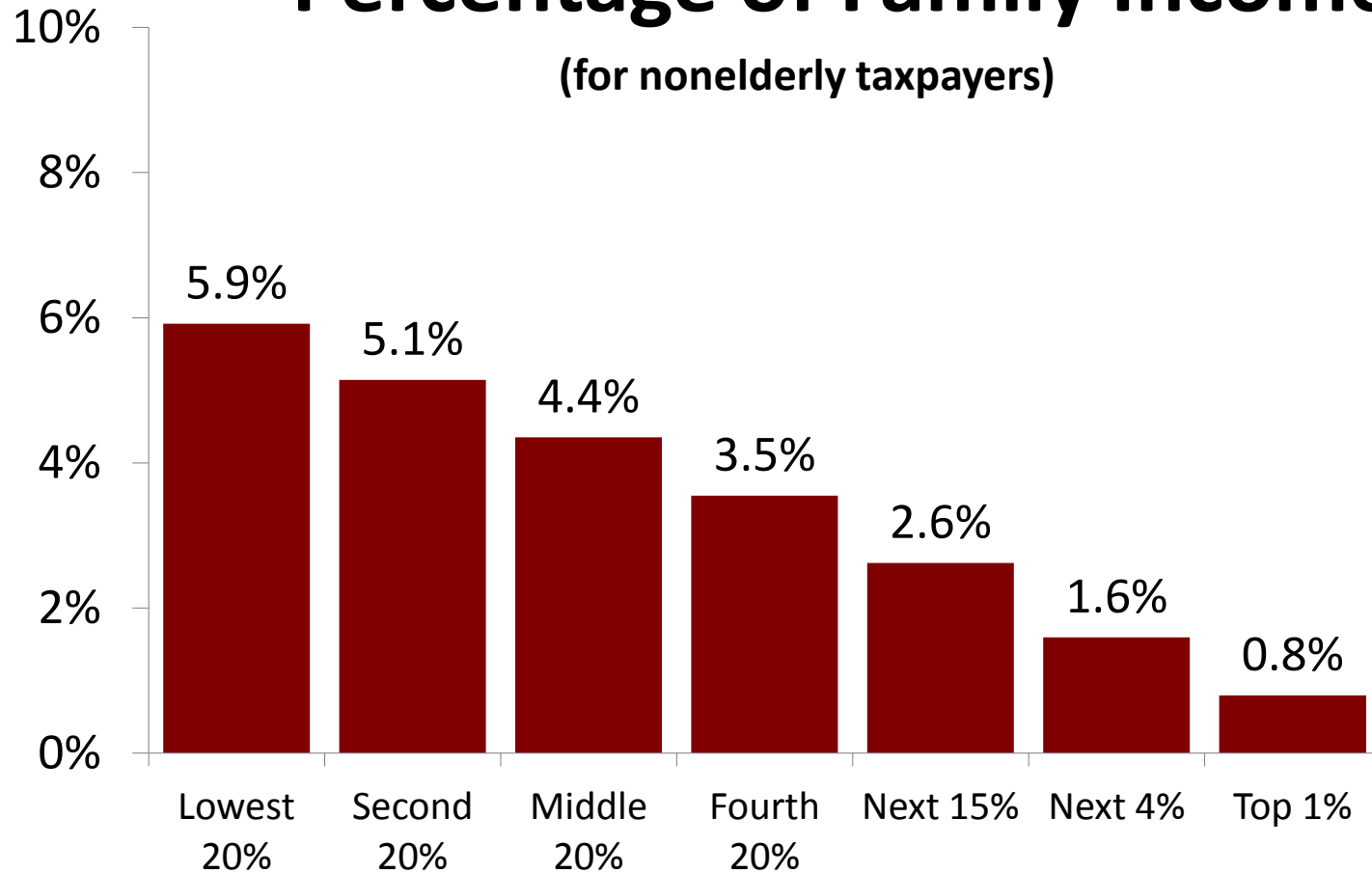
# Idaho's State and Local Taxes as Percentage of Family Income

(for nonelderly taxpayers)



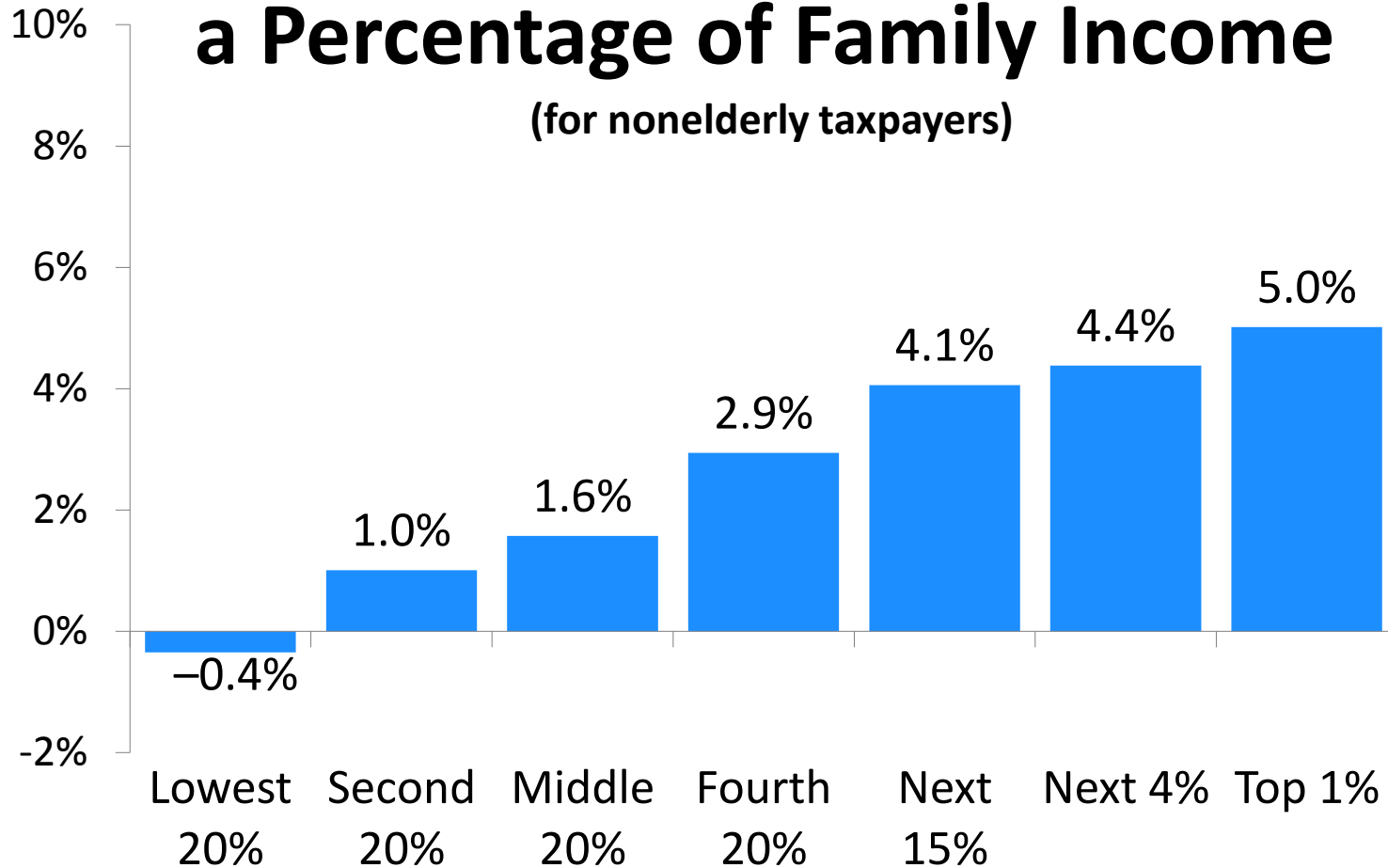
# Idaho Sales & Excise Tax as Percentage of Family Income

(for nonelderly taxpayers)



# Idaho's Personal Income Tax as a Percentage of Family Income

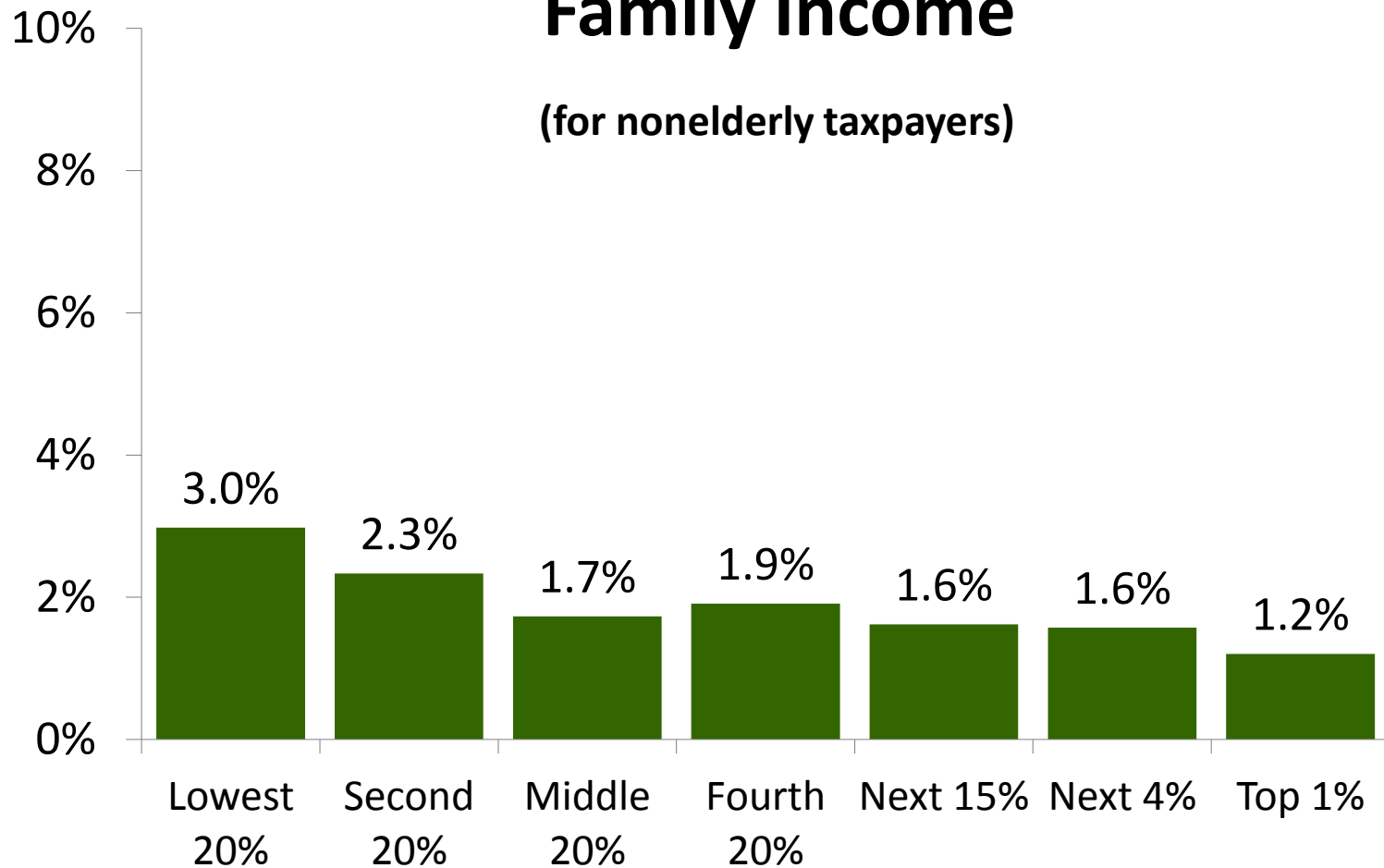
(for nonelderly taxpayers)



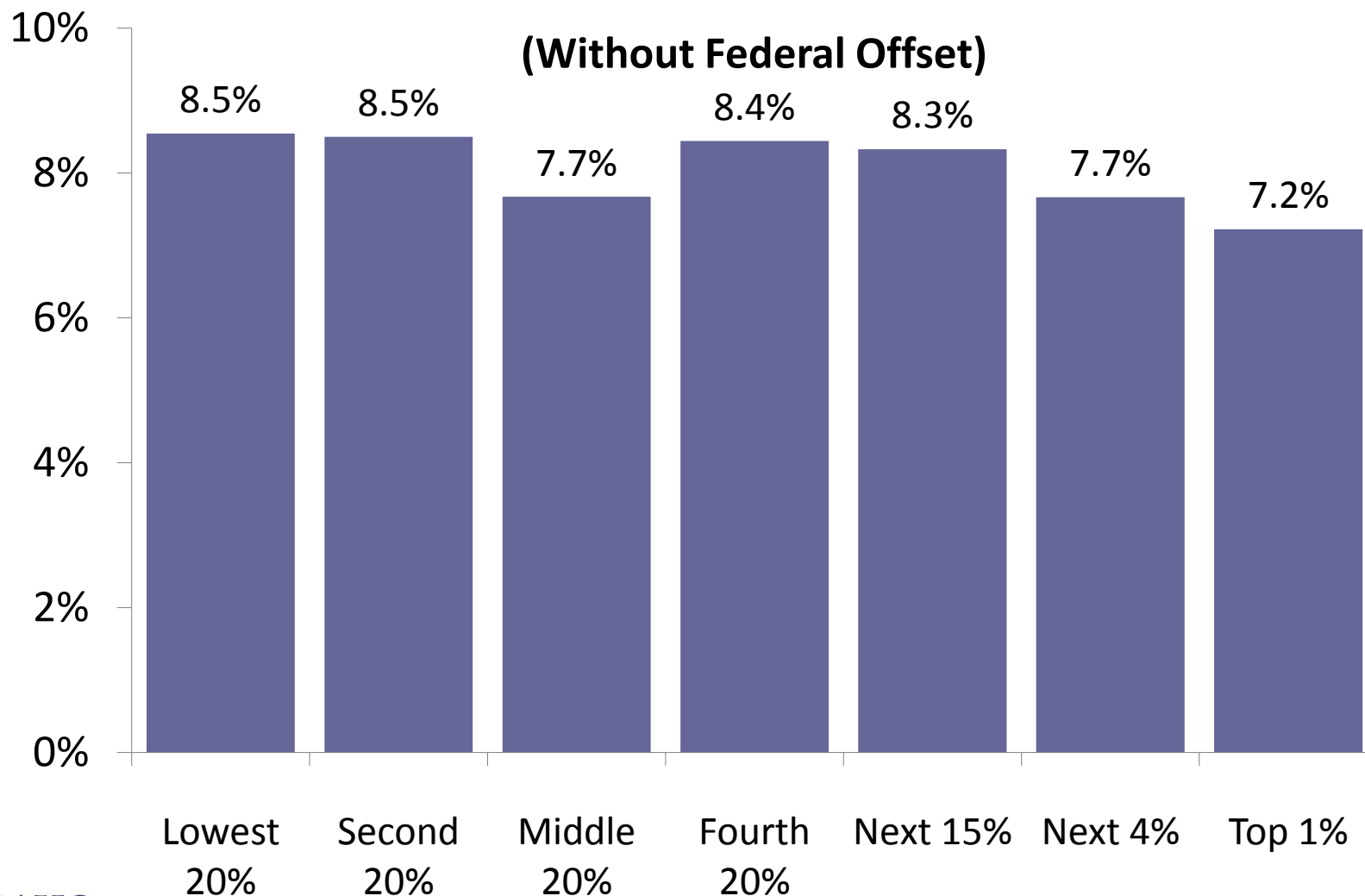


# Idaho's Property Tax as Percentage of Family Income

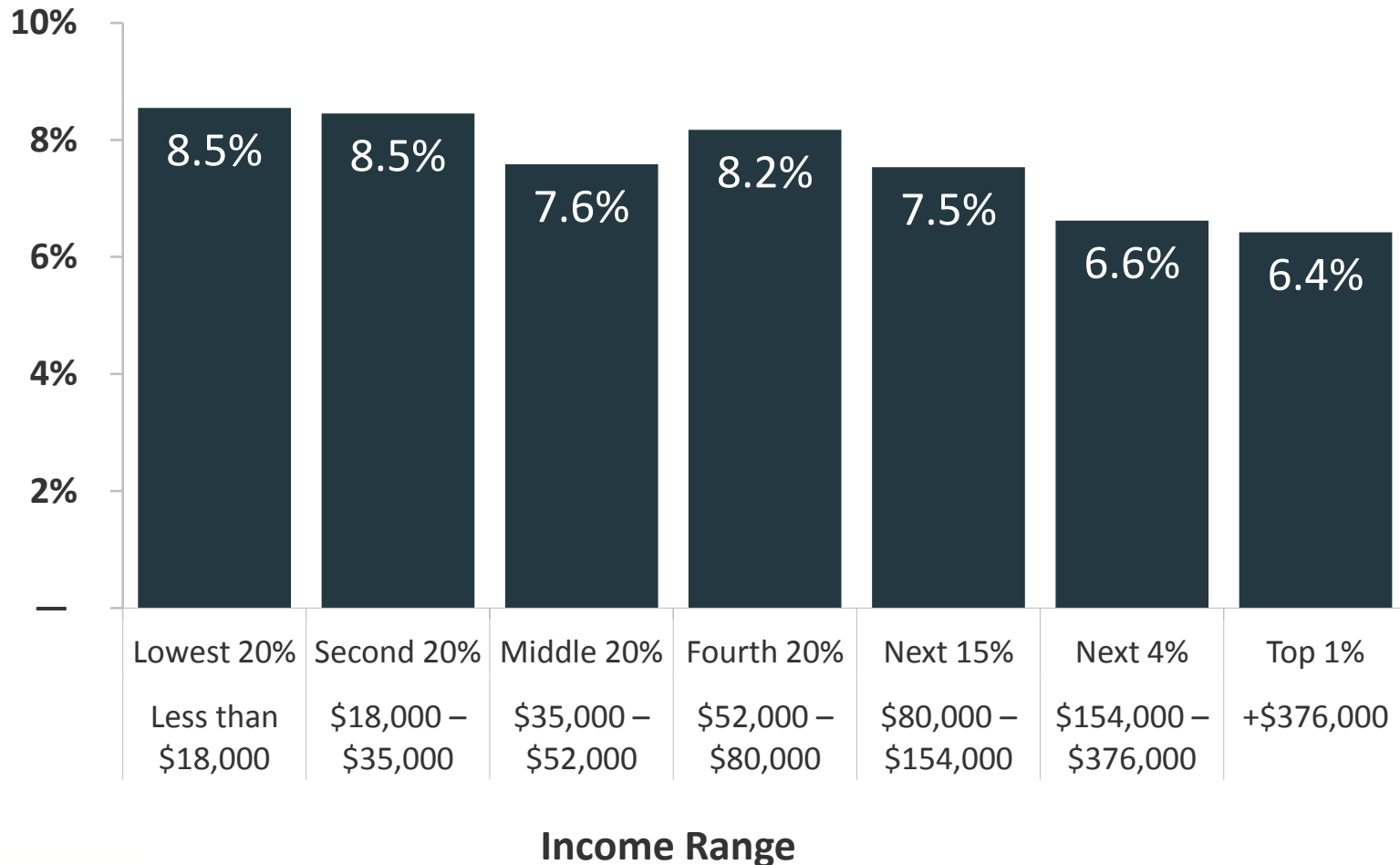
(for nonelderly taxpayers)



# Idaho: All State and Local Taxes as Percentage of Family Income



# Idaho's State and Local Taxes as Percentage of Family Income



# Features of a state income tax:

- Counters the regressive impacts of sales and excise taxes, as well as property taxes, to balance tax load across the income spectrum
- Keeps more dollars in Idaho because state income taxes are a deduction on federal tax returns
- More stable over the long-run than sales tax to meet state needs

A tax system that *doesn't increase* income inequality can help ensure that:

- Working Idahoans can cover basic living expenses and provide for their families
- Businesses have a critical mass of potential customers with disposable income (i.e. a strong middle class)

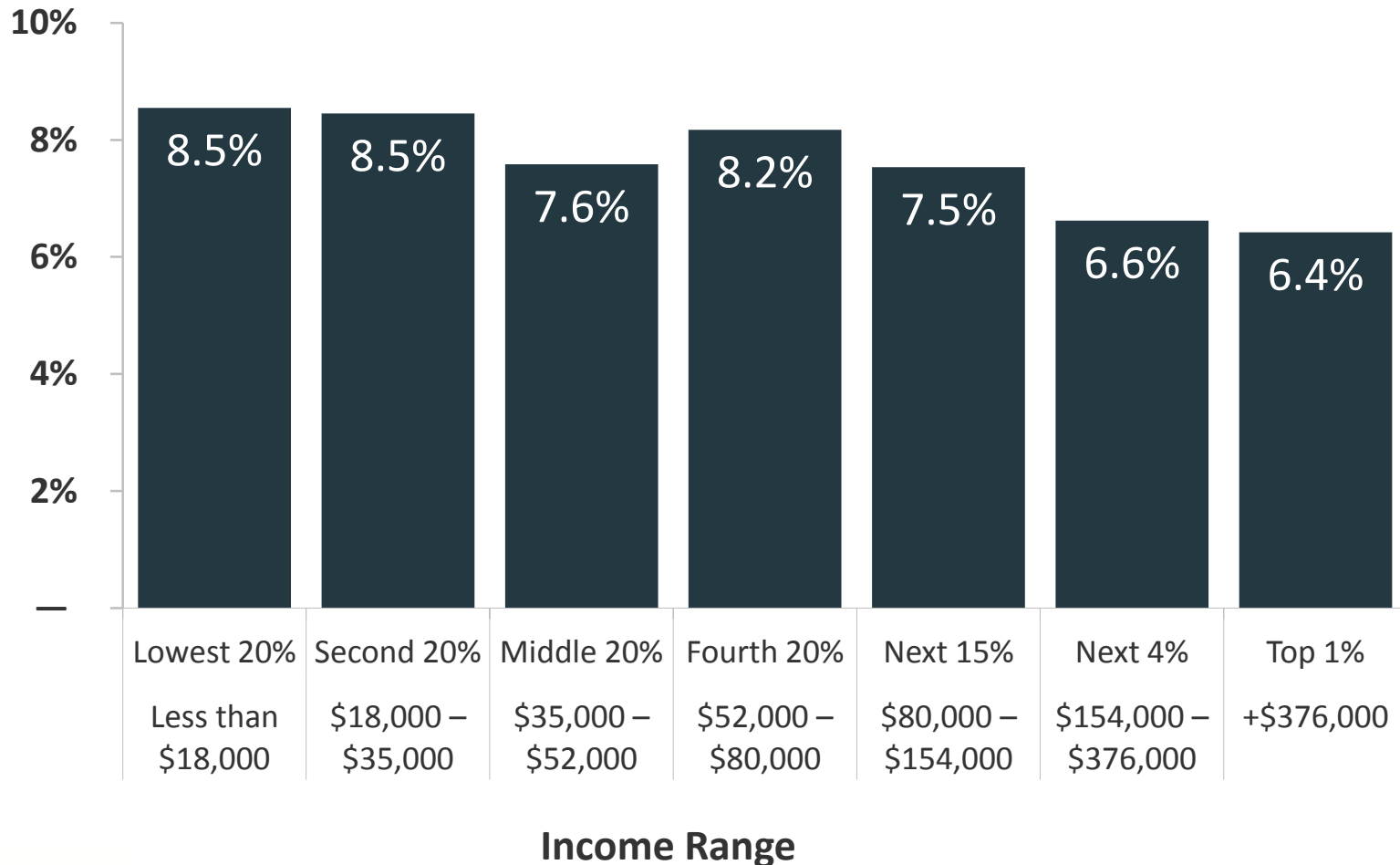
Recent policy changes that have shifted how we carry the tax load in Idaho:

- Increase in sales tax to 6%
- Cut to top income tax rates in 2012
- Personal property tax exemption for first \$100,000 (with state replacement at a fixed level)
- Decreased state support for schools means a heavier reliance on property taxes

How balanced is Idaho's tax system compared to other states in the region?

# Idaho's State and Local Taxes as Percentage of Family Income

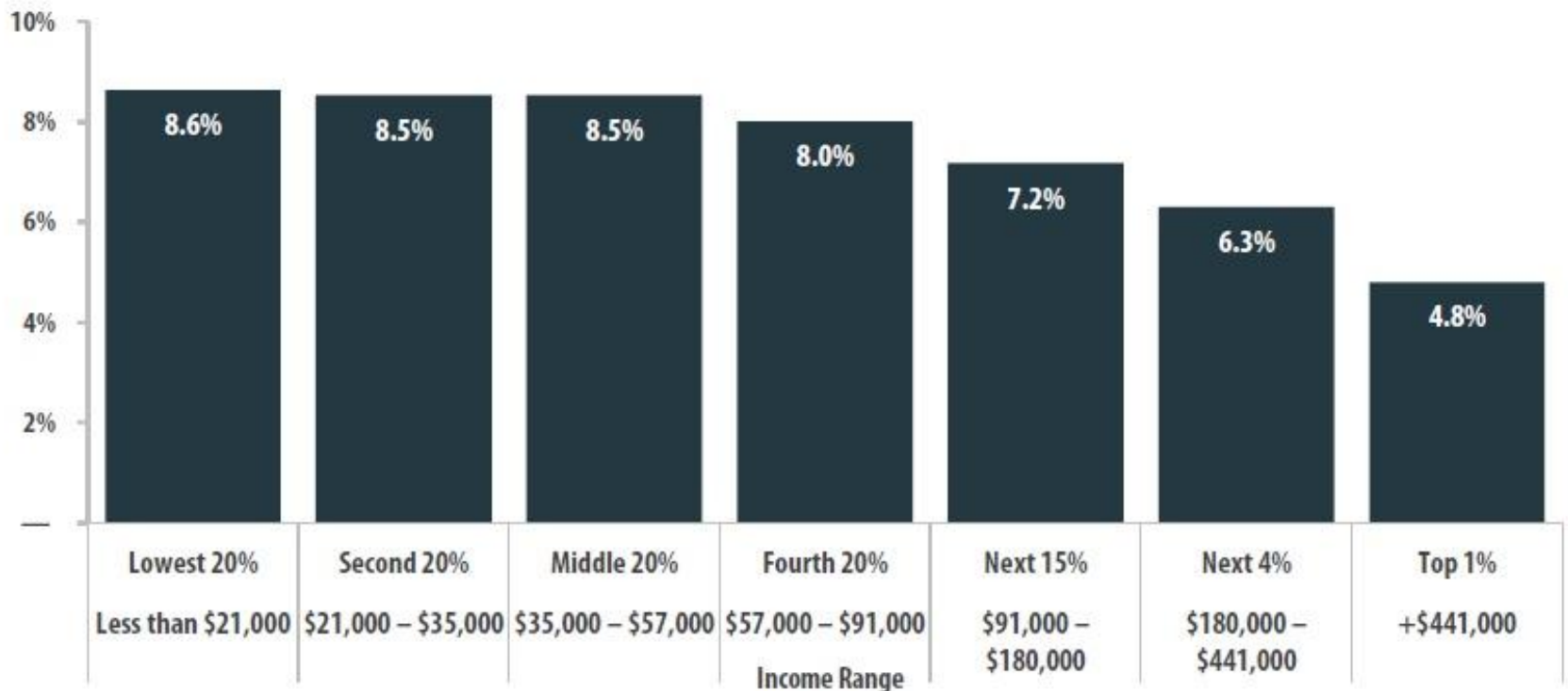
(for nonelderly taxpayers)





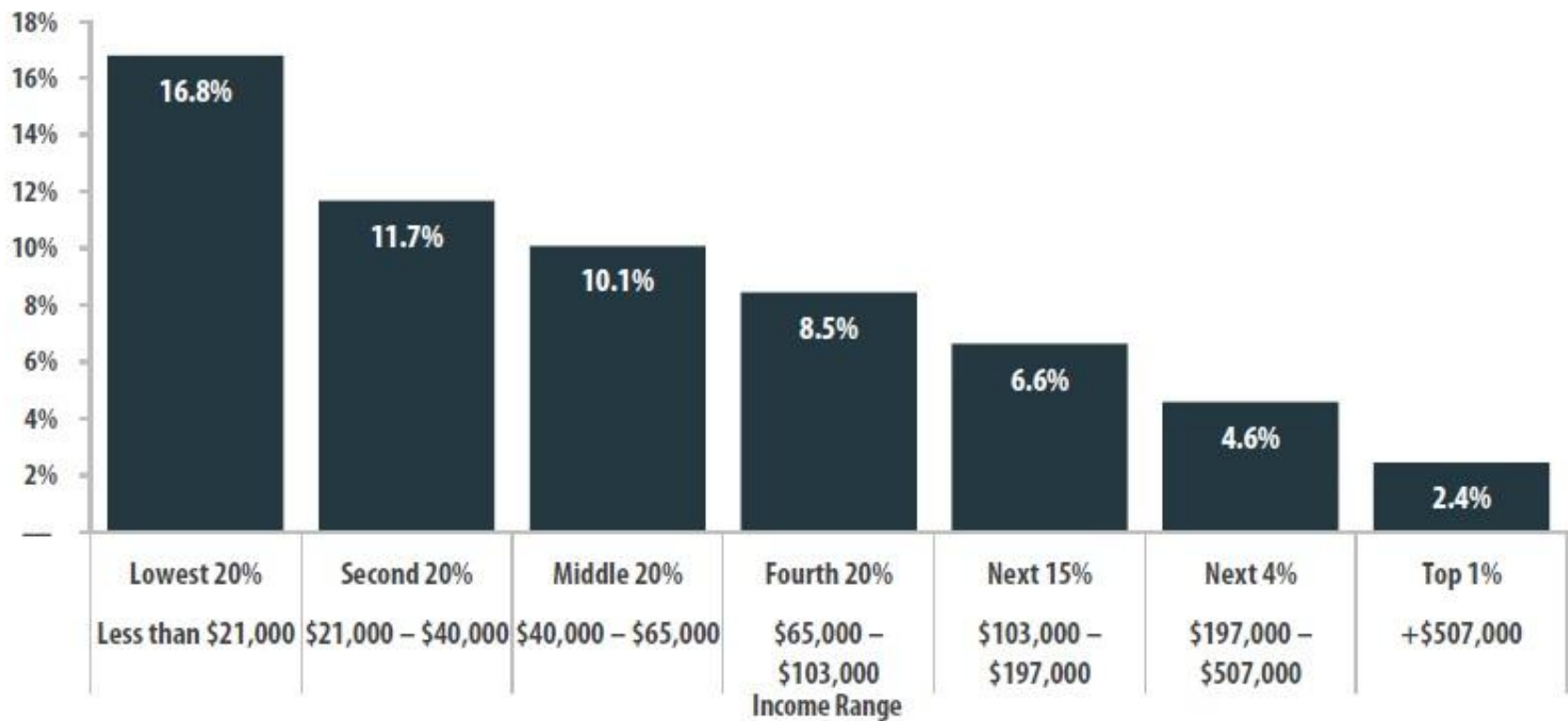
# Utah's State and Local Taxes

Shares of family income for non-elderly taxpayers



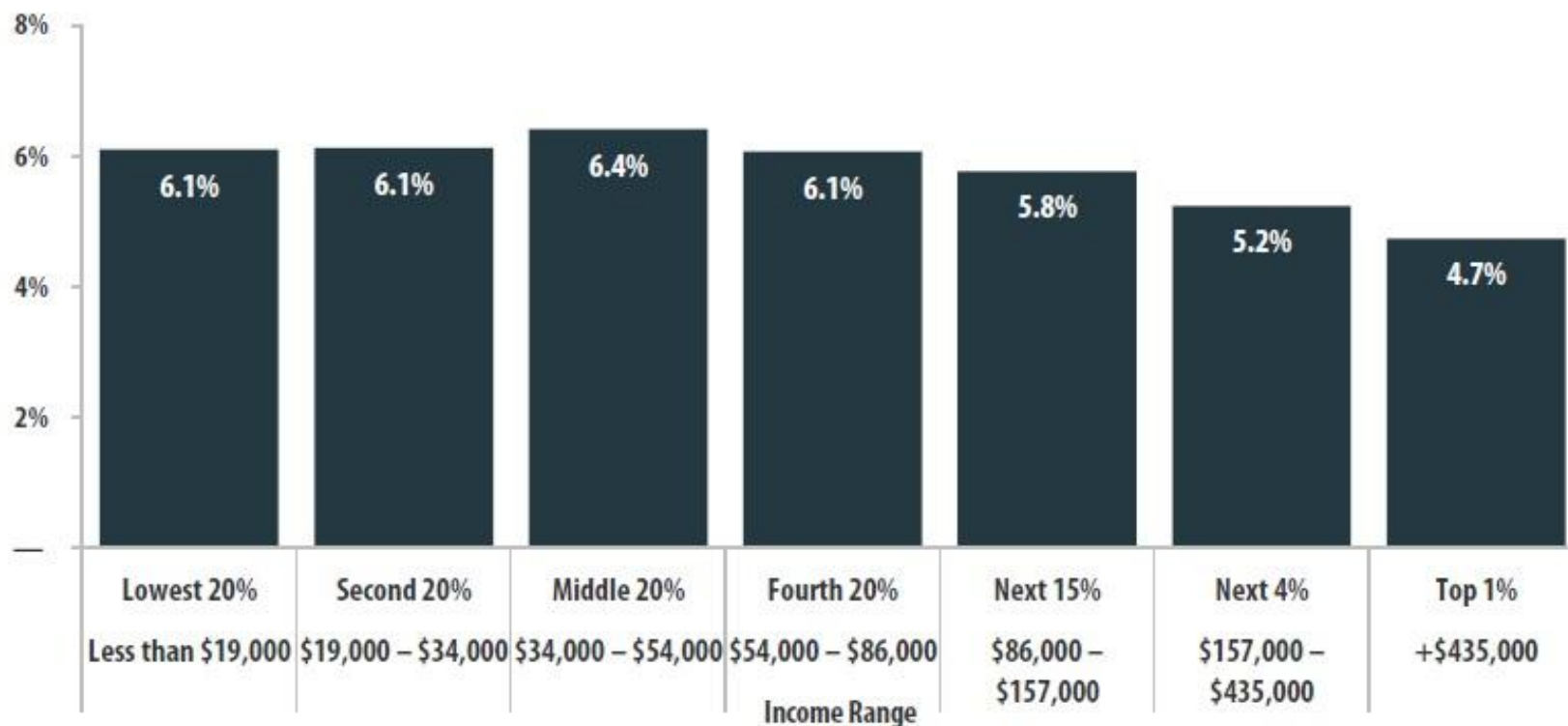
# Washington's State and Local Taxes

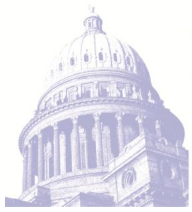
Shares of family income for non-elderly taxpayers



# Montana's State and Local Taxes

Shares of family income for non-elderly taxpayers





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How do we strengthen our economy?

How do we grow the number of good  
jobs with good wages, building a  
strong middle-class?

# America's Top States for Business 2014 by CNBC

Idaho's Rankings (where 1 is best)	
Business Friendliness	6
Cost of Doing Business (includes taxes)	8
Workforce (factors in strength of unions)	8
Cost of Living	11
Quality of Life	16
Access to Capital	21
Infrastructure	34
Technology & Innovation	41
Economy	42
Education	45
<b>Overall</b>	<b>16</b>

# No Clear Relationship Between Tax Levels & Wages, 2012

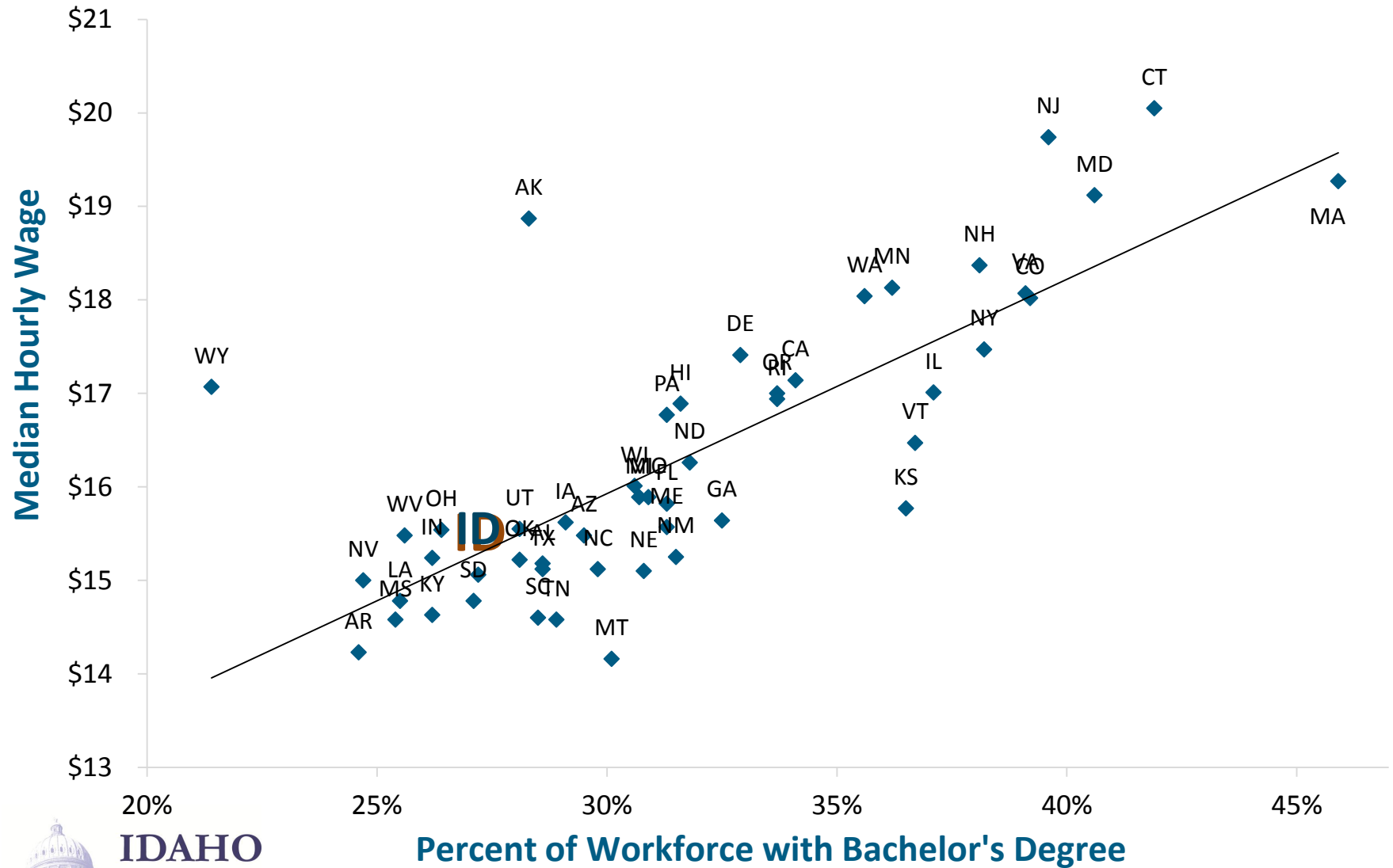


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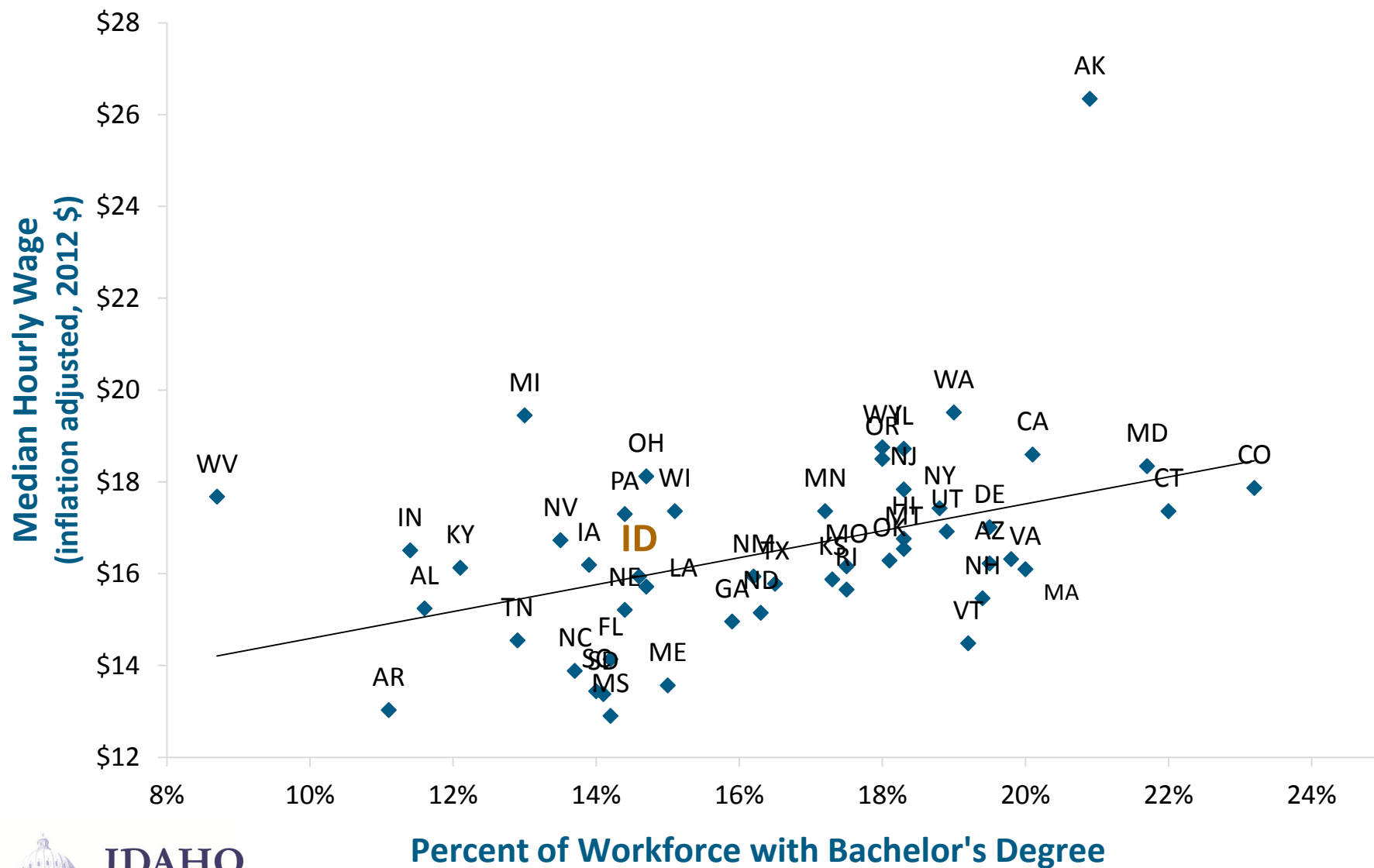
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**State & Local Taxes as a Share of State Personal Income**

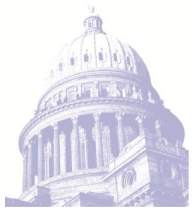
# Strong Relationship Between Education and Wages, 2012



# Weak Relationship Between Education and Wages 30 Years Ago, 1979





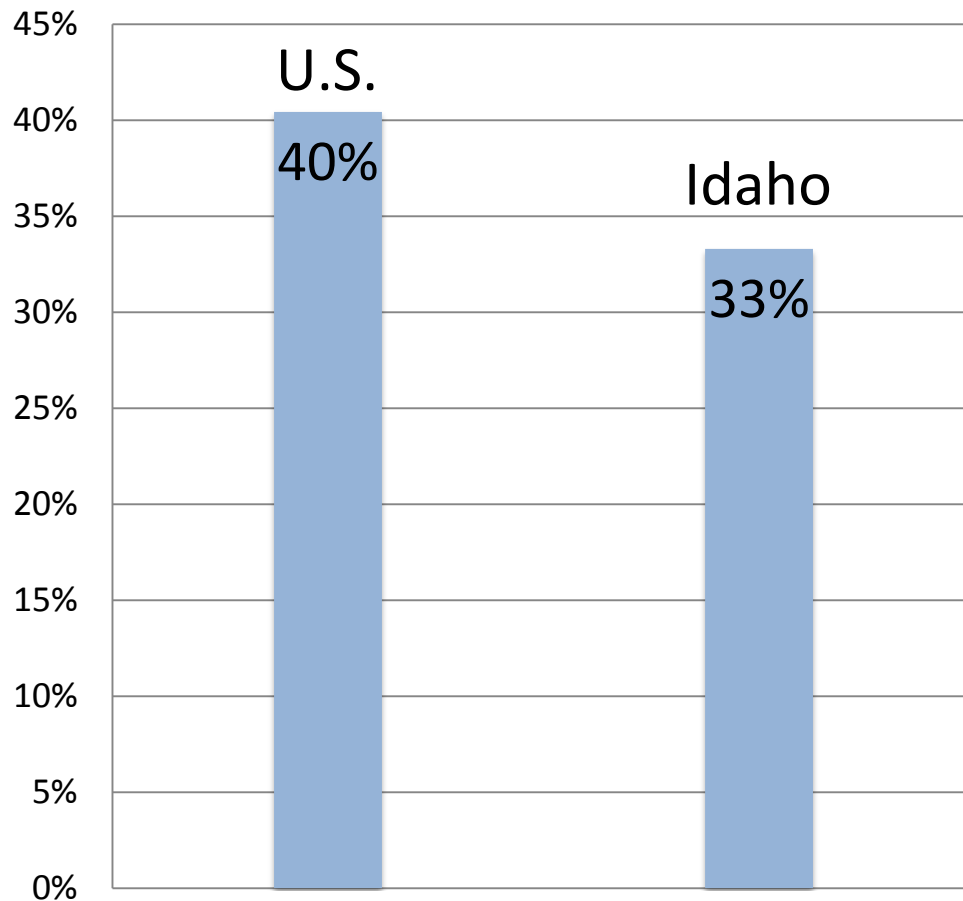


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# Educational Attainment for Young Adults

## Associate's Degree or Higher

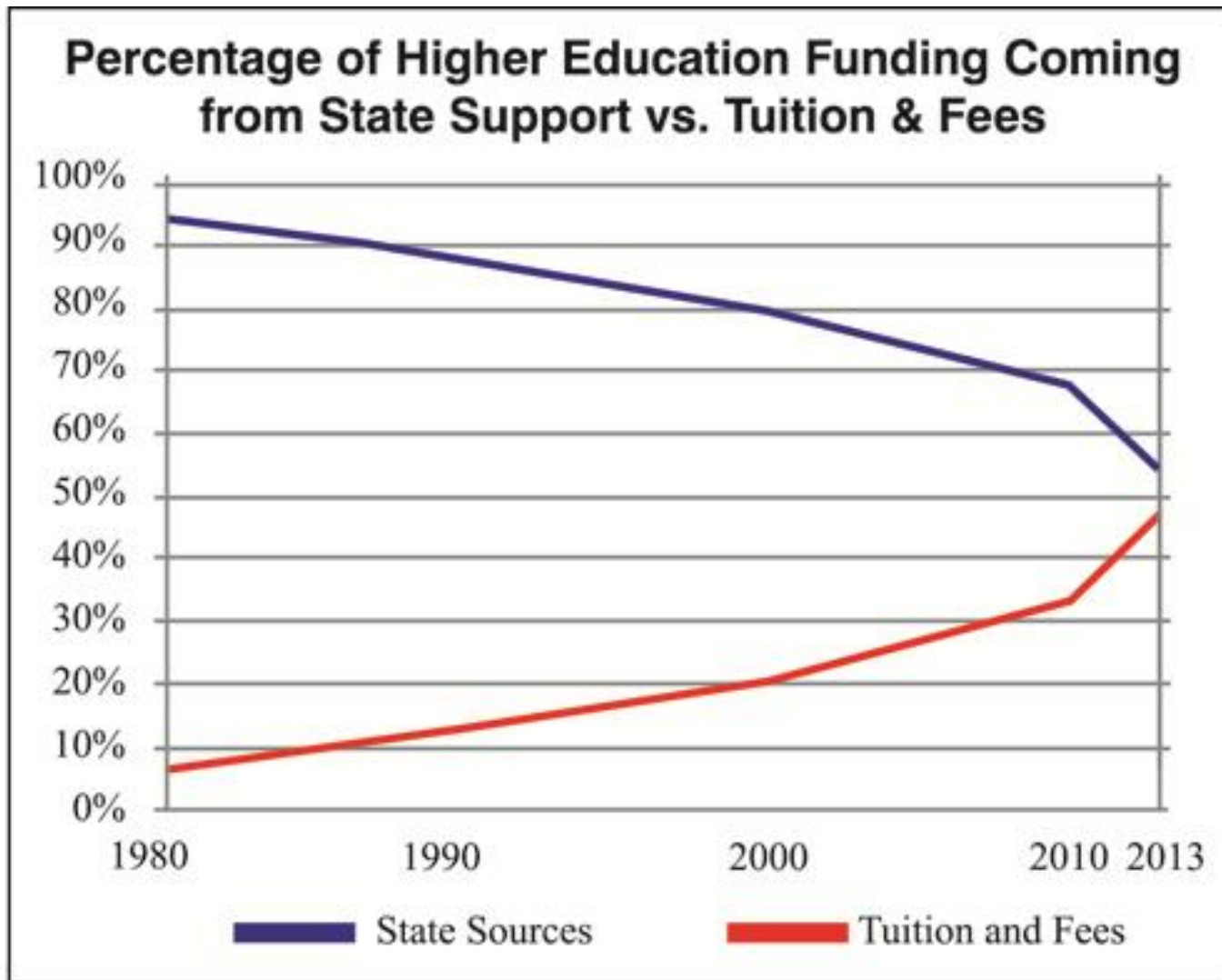


**Idaho's Goal is 60%**



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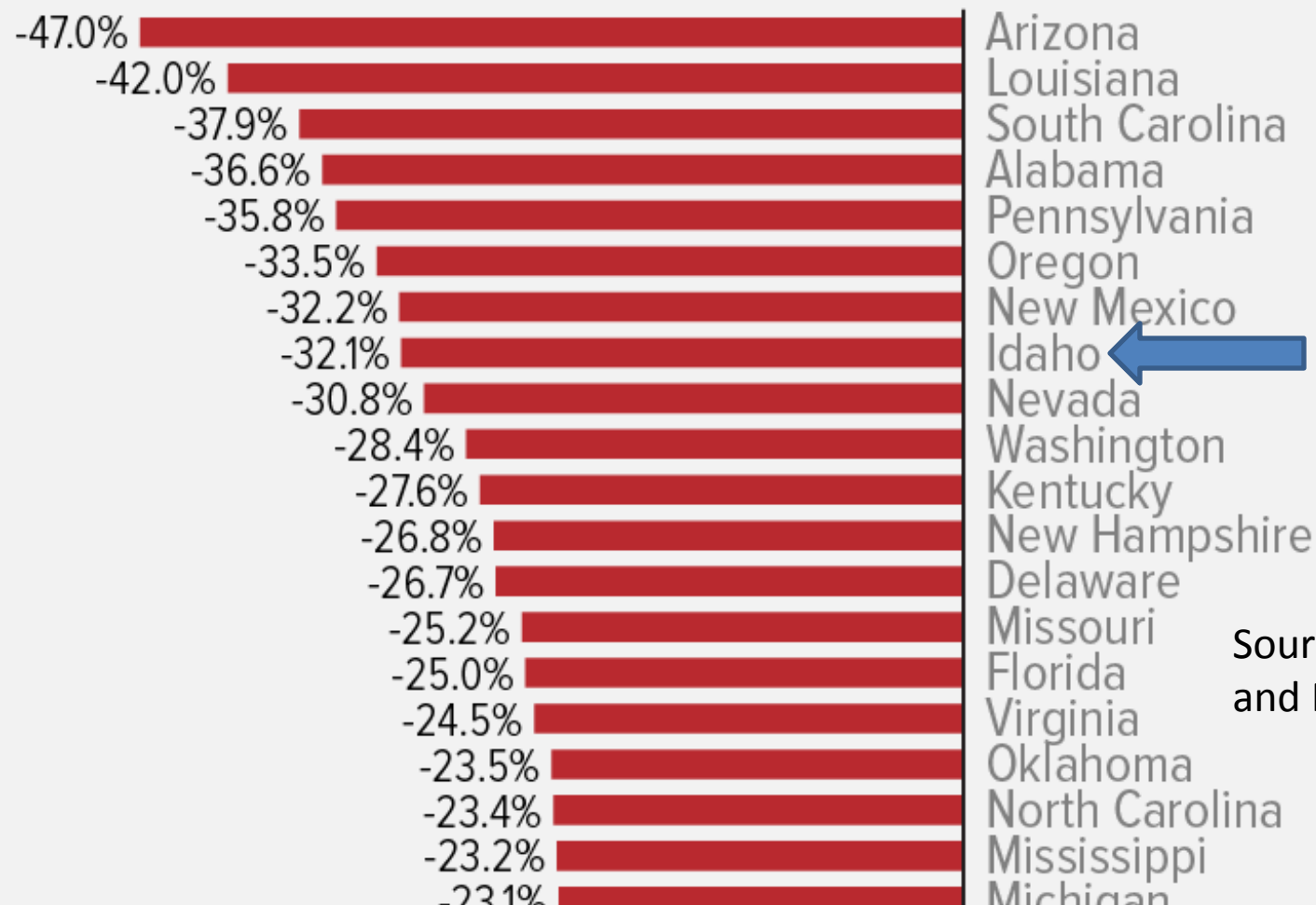
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**Source:** Idaho State Board of Education, unpublished data

# State Funding for Higher Education Remains Far Below Pre-Recession Levels in Most States

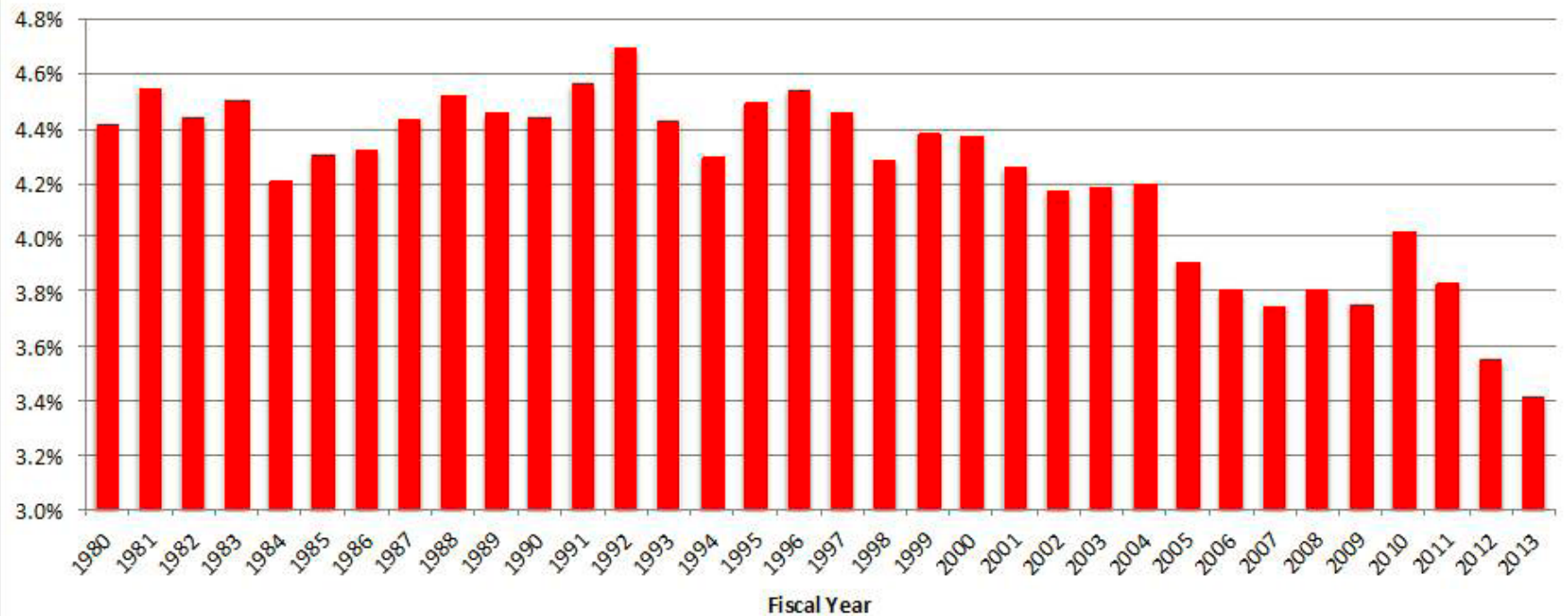
Percent change in state spending per student, inflation adjusted, 2008 - 2015



Source: Center on Budget  
and Policy Priorities



**Fig. 3: Public School Funding as Percent of Idaho Personal Income**

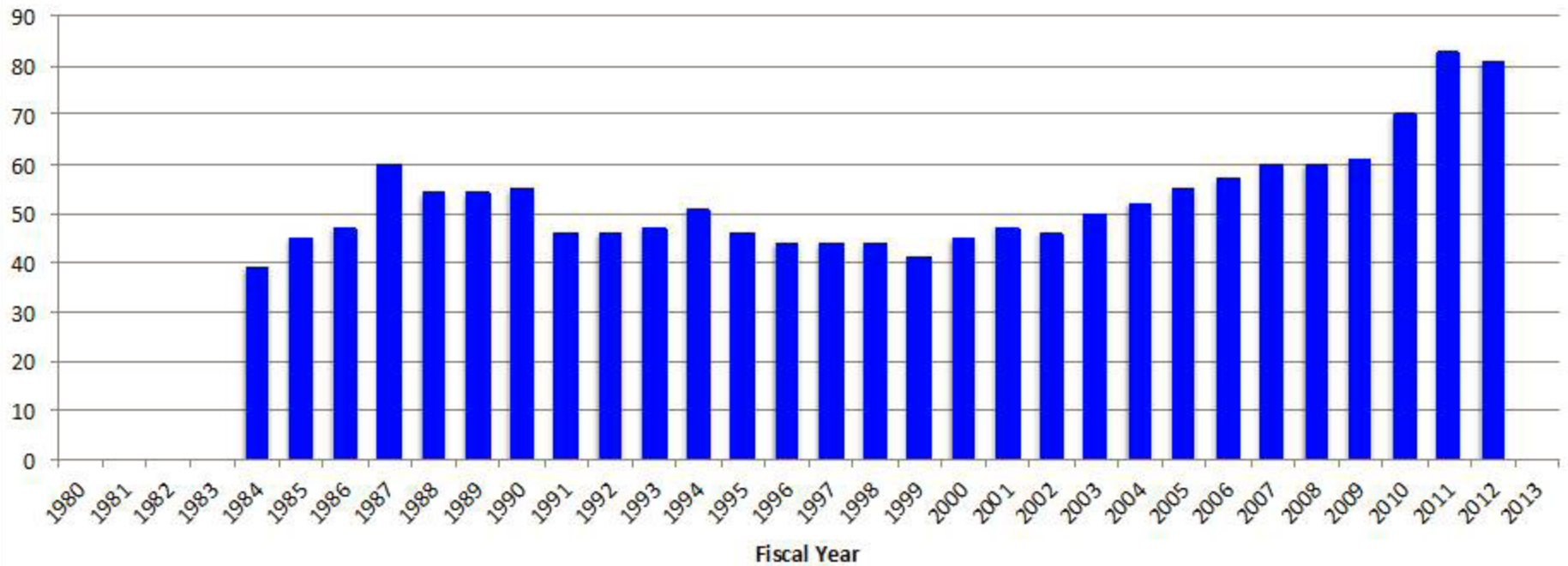




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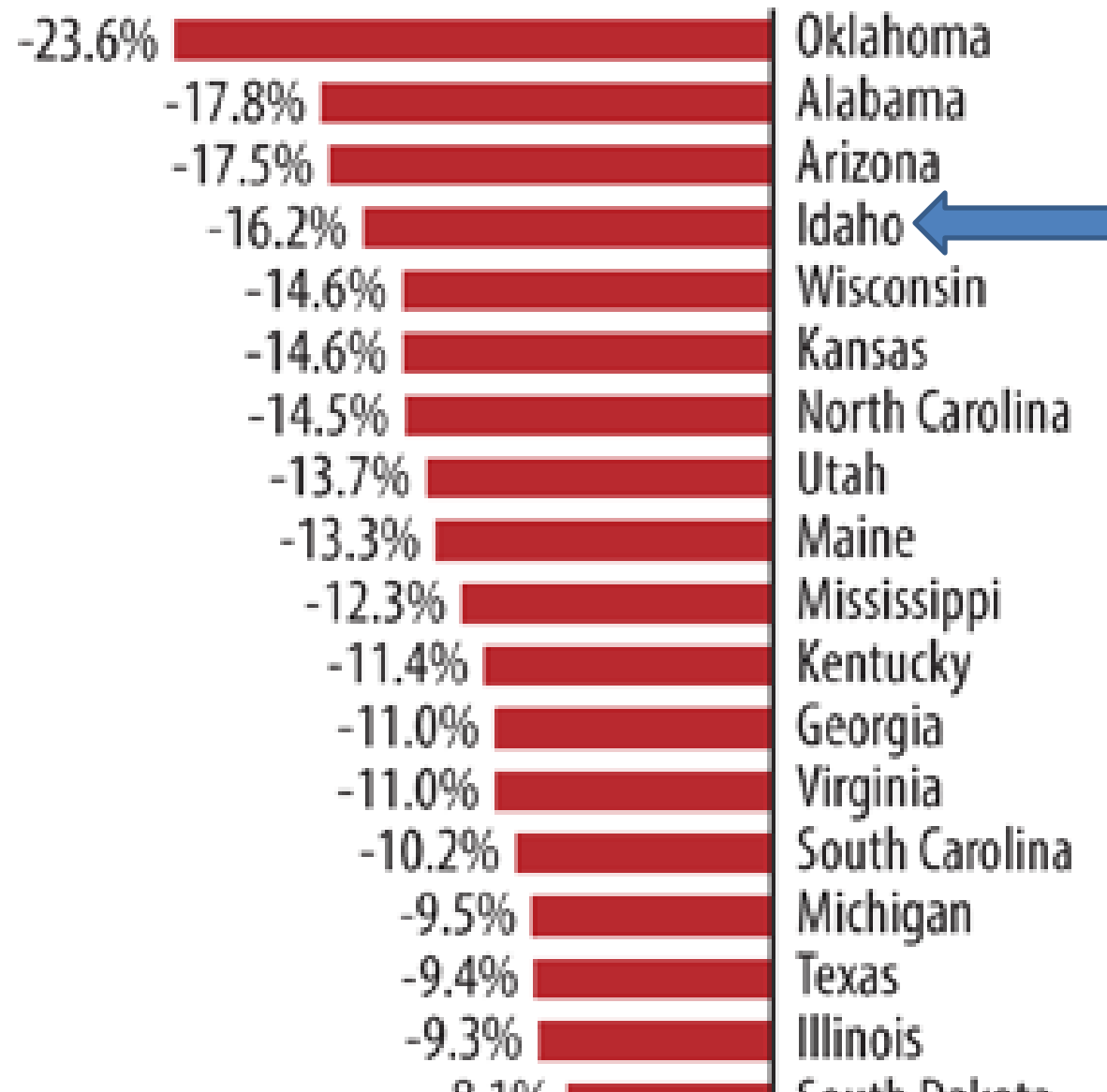
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**Fig. 11: Number of Idaho Public School Districts With Supplemental Override Levies**



## Per-Student Spending Remains More Than 10% Lower Than 2008 in 14 States

Percent change in spending per student, inflation-adjusted, FY08 to FY15



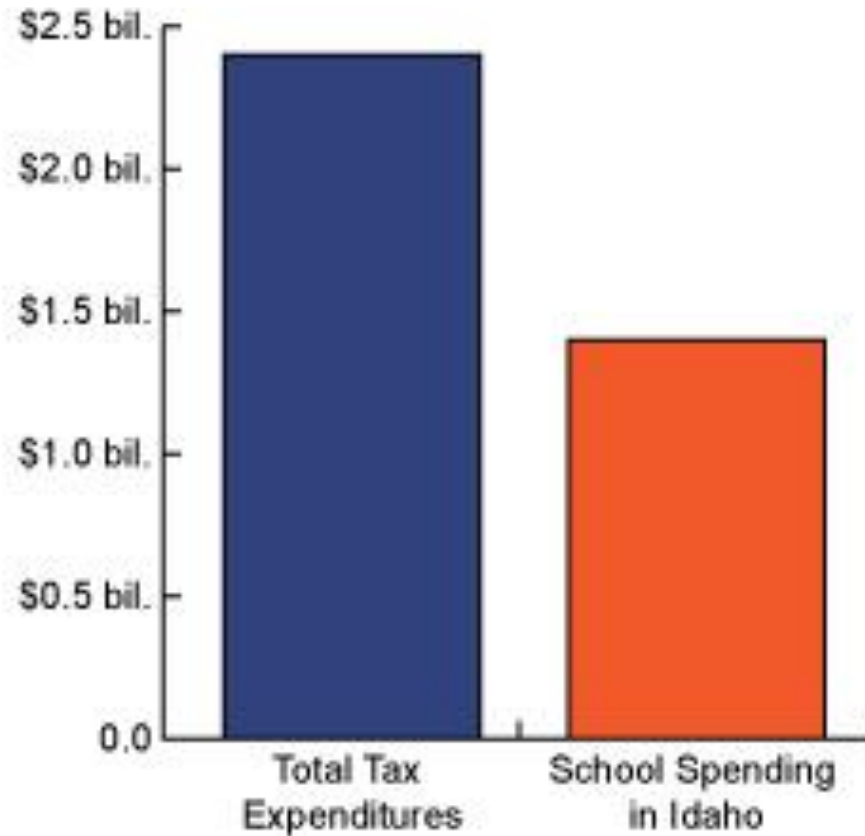
Source: Center on Budget and Policy Priorities



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**Chart 1. Idaho Tax Expenditures Compared to School Spending for Fiscal Year 2015**



**Source:** Division of Financial Management, 2014 Legislative Activities Summary, FY 2015 General Fund Summary.

# Recommendations:

- 1) Maintain the balance of Idaho's three-legged stool
- 2) Ensure adequate investments in education, infrastructure to allow both businesses and residents to prosper
- 3) Set up systems to periodically review *and evaluate* tax expenditures and incentives (See Pew Charitable Trust's work with 11 states)



# Questions?

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